LEGISLATIVE SERVICES AGENCY

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FISCAL IMPACT STATEMENT

LS 7427 | **NOTE PREPARED:** Jan 9, 2013
BILL NUMBER: SB 579 | **BILL AMENDED:**

SUBJECT: Homestead disqualifications.

FIRST AUTHOR: Sen. Hershman | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL** **DEDICATED** **FEDERAL** | **IMPACT:** Local

Summary of Legislation: This bill requires the county auditor to record that a dwelling and the real estate surrounding the dwelling no longer qualify as a homestead for various property tax reductions. It provides that a bona fide purchaser without knowledge of the removal of the qualification is not liable for property taxes and civil penalties accruing during the period from the date of the county auditor's determination to the date the county auditor records the disqualification.

Effective Date: July 1, 2013.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: This bill directs the county auditor to include a notation in the county tax duplicate that a parcel no longer qualifies as a homestead. Under the bill, if the property is sold, the purchaser is not liable for any property taxes and penalties that accrued before the notation is made. The county would have to forgo these taxes and penalties.

Additional Information:

Under current law, an individual must file a certified statement with the county auditor, notifying the auditor that the individual is no longer eligible for the standard deduction. This must be done within 60 days of the change. If the individual fails to file the statement, the individual is liable for any additional taxes that would have been due on the property if the individual had filed the statement as required, plus a civil penalty equal to ten percent (10%) of the additional taxes due.

Under current law, the eligibility of a parcel for the homestead deduction depends on the status of the current owner. In general, an individual must own the property and use it a primary residence for the parcel to qualify for the deduction. The status of the previous owner is not a factor in determining if the current owner is eligible.

If the auditor failed to record that the standard deduction should be removed, and the property is sold, the auditor could infer that the new owner is liable for any back taxes and penalties due. This is because of the current procedures for collecting taxes and penalties. The current statute requires that the auditor issue a notice of taxes, interest, and penalties to the owner on the tax duplicate (i.e. the new owner) and include a statement that full payment must be made within thirty (30) days.

Under this bill, if the auditor fails to remove the standard deduction, the county is forbidden from issuing a notice to the new owner for the collection of back taxes and penalties. Under current law, the auditor can attempt to collect back taxes and penalties for up to three (3) preceding years.

A similar situation could arise if the previous owner fails to inform the auditor that the parcel in question is no longer eligible for the standard deduction.

State Agencies Affected:

Local Agencies Affected: County auditors.

Information Sources:

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